

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING

Location

Alaska State Museum
Lecture Hall
395 Whittier Street
Juneau, Alaska

MINUTES OF
January 11, 2019

Friday, January 11, 2019

CALL TO ORDER

CHAIR ROBERT JOHNSON called the meeting of the Alaska Retirement Management Board (ARMB) to order at 2:00 p.m.

ROLL CALL

Nine ARMB trustees were present at roll call to form a quorum.

Board Members Present

Robert Johnson, *Chair*
Gail Schubert, *Vice-Chair* (telephonic)
Gayle Harbo, *Secretary*
Tom Brice
Kristin Erchinger
Acting Commissioner Bruce Tangeman (arrived late)
Acting Commissioner Jonathan Quick
Norman West
Bob Williams

Board Members Absent

None

Also Present

Bob Mitchell, Acting Chief Investment Officer
Pamela Leary, Director, Treasury Division
Ajay Desai, Director, Division of Retirement and Benefits
Stephanie Alexander, Board Liaison
Paul Wood, GRS (telephonic)
Nils Andreassen, AML Executive Director

PUBLIC MEETING NOTICE

STEPHANIE ALEXANDER confirmed that public meeting notice requirements had been met.

APPROVAL OF AGENDA

MRS. HARBO moved to approve the agenda. MS. ERCHINGER seconded the motion.

The agenda was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

None.

REPORTS

1. COMMITTEE REPORTS

A. Actuarial Committee

MS. ERCHINGER reported that the Actuarial Committee had met in the morning for about an hour and fifteen minutes to take up the sole issue of reviewing and approving for action by the ARM Board the 2017 Experience Study for Actuarial Assumptions. She explained that Alaska Statute requires the Board to conduct an experience study of the retirement system every four years to compare actual experience to assumptions and consider changes in assumptions as recommended by the actuaries.

The Board had copies of the “Summary of Current and Proposed Assumptions/Methods for 2017 Experience Study,” which is a compilation of all of the economic, demographic, and funding method assumptions that were reviewed by the Board. MS. ERCHINGER discussed the primary assumption changes that were recommended, referring Board members to tables of information in the document. MS. ERCHINGER noted that over the past 18 months, the Actuarial Committee has had numerous meetings to consider the various assumptions in much more detail, but today’s meeting focused on just one: whether or not to recommend to the full Board layering each new year’s actuarial gains and losses over a new closed period. She explained that currently, the annual gains and losses are amortized over a closed 25-year period, and as the end of that period is approached, significant volatility is expected. The recommendation is to change how those gains and losses are amortized so they would be spread out over a new 25-year period each year. The Board’s legal counsel, Stuart Goering, has advised the committee that current statute would allow them to do this, but the closed period must still be 25 years.

2. 2014 – 2018 EXPERIENCE STUDY

Resolution 2018-19 Relating to Acceptance of Experience Study, Actuarial Assumptions

MS. ERCHINGER stated that the Actuarial Committee recommended to the full Board that PERS,

TRS, JRS, and the Alaska National Guard and Naval Militia Retirement System's actuarial experience analysis as of June 30, 2017, as well as the assumption and method changes recommended therein and attached as Exhibit A, right-hand column, compared by Buck, be approved.

MS. ERCHINGER so moved.

CHAIR JOHNSON clarified that Resolution 2018-19 had been tabled at the December meeting, and now has the added attachment of Exhibit A, the "Summary" document.

MS. ERCHINGER noted that the Board and the committee have at times expressed concern that a 25-year period is too long, and she would like the Board to consider recommending to the legislature that they consider allowing the Board the flexibility to amortize the new actuarial gains and losses over some period of time less than 25 years. She stated that GRS has recommended 10 to 15 years. PAUL WOOD from GRS assented that actuarial best practices suggest an amortization period for gains and losses of about 10 to 15 years, and shortening the period from 25 years would be a good step toward layering.

A roll call vote was taken, and Resolution 2018-19 was unanimously approved.

MS. ERCHINGER added that the Actuarial Committee had also discussed two recent updates to the three scenarios provided to the committee from Buck. The numbers previously given did not include the impact of federal subsidies to state plans, but the Department of Administration has implemented EGWP as of January 1, 2019, so the new numbers project how that will affect the cost of the plan. Also, healthcare administrative costs were removed from the table of projected numbers because they were already reflected in normal costs.

UNFINISHED BUSINESS

None.

NEW BUSINESS

None.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

CHAIR JOHNSON raised the idea of replacing at least one Anchorage meeting with a meeting in Juneau to save costs, and confirmed that there is no opposition to considering it.

CHAIR JOHNSON stated that he would like the Board to create an operations committee, as they have discussed recently, which would amalgamate the existing salary and budget committees. He suggested that the new committee hold its opening meeting at the next ARM Board meeting, and have members who are currently members of either the salary committee or the budget committee, namely Ms. Harbo, Mrs. Schubert, Mr. West, Ms. Erchinger, Chair Johnson, and Commissioner Quick. CHAIR JOHNSON noted that Mr. Williams had also expressed an interest, and the Commissioner of Revenue or staff should also participate in the operations committee. VICE-CHAIR SCHUBERT

agreed, and there were no objections. CHAIR JOHNSON thanked her for stepping up as interim chair and likely chair of the new committee.

PUBLIC/MEMBER COMMENTS

NILS ANDREASSEN, executive director of the Alaska Municipal League, thanked the Actuarial Committee for its excellent work on the delivery of the experience study for the last four years. MR. ANDREASSEN expressed concern about the overall employer contribution rate increasing as a result of ARM Board decisions and changes in assumptions.

INVESTMENT ADVISORY COUNCIL COMMENTS

No IAC members were present.

TRUSTEE COMMENTS

MS. HARBO thanked Ms. Erchinger for all of her work in establishing the Actuarial Committee and working with the actuaries, resulting in a lot of progress in the past four or five years.

COMMISSIONER QUICK thanked the Board for allowing the resolution to be postponed for a month. He added that the public can rest assured that good people are doing good work to make sure the retirement system is well managed.

FUTURE AGENDA ITEMS

CHAIR JOHNSON noted that the next meeting will be in April, and ideas for agenda items can be sent to him, Mr. Mitchell, or Ms. Alexander.

ADJOURNMENT

There being no objection and no further business to come before the board, the meeting was adjourned at 2:30 p.m. on January 11, 2019, on a motion made by MRS. HARBO and seconded by MR. BRICE.

Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:

Corporate Secretary